



STATE OF DELAWARE

**PUBLIC SERVICE COMMISSION**

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**January 22, 2018**

To: The Chair and Members of the Commission

From: Shona Marshall, Public Utilities Analyst   
Joe DeLosa, Public Utilities Analyst 

Subject: IN THE MATTER OF THE PROVISION OF STANDARD OFFER SUPPLY  
TO RETAIL CONSUMERS IN THE SERVICE TERRITORY OF DELMARVA  
POWER & LIGHT COMPANY (FILED MARCH 31, 2017) – PSC Docket No.  
17-0164

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**Application:**

On March 31, 2017, Delmarva Power & Light Company ("Delmarva" or the "Company") filed with the Commission revised electric tariffs reflecting new Standard Offer Service ("SOS") rates, its new Procurement Cost Adjustment (the "PCA"),<sup>1</sup> and its Reasonable Allowance for Retail Margin ("RARM"),<sup>2</sup> with an effective date of June 1, 2017, (the "2017 SOS-PCA-RARM Filing"). Delmarva also provided supporting work papers. According to the Company's calculations, not including the Qualified Fuel Cell Provider Project ("Bloom") or the Renewable Portfolio Standard Charge ("RPS Charge"), the monthly bill for a residential customer using 1,000 kWh on an annual average basis will decrease by approximately \$6.34 (or a decrease of 4.55 %).

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<sup>1</sup> The PCA is a component of the "Full Requirements Cost" portion of both "fixed" and "hourly" priced SOS rates. It is designed to collect, or return, over the subsequent rate year any past period differences between the amounts billed to customers for fixed-price SOS (FP-SOS) and Hourly Priced services (HPS) and the amounts Delmarva actually paid to wholesale suppliers and PJM Interconnection to provide such full requirements for FP-SOS and HPS. The PCA is calculated by customer class, and any differences are also subject to an interest charge.

<sup>2</sup> When the Commission approved the settlement agreement in PSC Docket No. 04-391, the "Electric Utility Restructuring Act of 1999" directed Delmarva to include in its SOS rates a "reasonable allowance for retail margin to be determined by the Commission." See 26 Del. C. §1006(a) (2) (c), prior to 2006 amendments. With the "Electric Utility Supply Act of 2006" (i.e., House Bill No. 6), the General Assembly rewrote §1006 and, among other things, deleted the reference to "reasonable allowance for retail margin ("RARM)". While there is no longer any specific statutory requirement for SOS to include an RARM, the new §1007(c)(1)(a) from the Supply Act of 2006 cites the SOS "procurement process approved in PSC Docket No. 04-391" as comprising a portion of the SOS resource mix, which process includes collection of the RARM at this time.

Additionally, the Settlement Agreement approved by the Commission in PSC Docket No. 09-9<sup>3</sup> (“RARM Settlement”) provides that where the change in the total RARM rate exceeds +/- 5.25%, the Company is required to submit a formal filing for review. According to the Company’s filing, the RARM rate for fixed price customers increased by 19.50% from the RARM rate currently in effect. Therefore, the Company considers the RARM component to be a formal filing. The Company provided workpapers supporting the results of the RARM factor on an actual basis for the reporting year ended December 31, 2016 and estimated basis for the prospective rate period.

On May 23, 2017, the Commission issued Order No. 9063 which, among other things, placed the proposed rates into effect on June 1, 2017, on a temporary basis, with proration, subject to refund.

#### **Staff’s Review:**

Staff performed a review of the application and additional supporting documentation provided by the company for accuracy and completion. Staff met with the Company in one workshop to review the 2017 SOS-PCA-RARM Filing and all related work papers and resolve any outstanding issues related to the filing. Following the workshop, Staff reviewed all sections of the filing and submitted discovery to the Company. As a result of this discovery, the Company has committed to \$32,554.19 worth of adjustments to be made in the 2018 SOS-PCA-RARM Filing.<sup>4</sup> Staff reviewed all sections of the filing, and after clarification and discovery responses, did not note any substantive or calculation errors, and found the filing to be consistent with prior orders.

#### **Staff’s Recommendation:**

Staff respectfully recommends that the Commission approve as final 2017 SOS-PCA-RARM Filing and the rates that went into effect on a temporary basis on June 1, 2017, with proration, for the period from June 1, 2017, to May 31, 2018.

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<sup>3</sup> See PSC Order No. 7703, issued December 22, 2009.

<sup>4</sup> See Company Discovery Responses RARM 04, RARM 07, RARM 08. There is also an additional \$500 refund that the Company explained would be made to an invoice in 2018, which will be reflected in the 2018 SOS-PCA-RARM filing but will not be an adjustment. See Company Discovery Response RARM 10.